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E.O. 11652: GDS

TAGS: ETRD, JA

SUBJ: OHIRA'S MEETING WITH SEC. BUTZ ON US EXPORTS OF

FARM PRODUCTS

SUMMARY: IN MEETING AT BLAIR HOUSE JULY 30 SEC. BUTZ,
CIEP DIRECTOR FLANIGAN AND UNDER SECRETARY CASEY PROPOSED
TO FURNISH OHIRA THAT JAPANESE COOPERATE ON PROBLEMS
RELATED MARKETING OF FARM PRODUCTS AND IN PARTICULAR TO
LIMIT ORDERS FROM 1973 CROP TO NORMAL LEVELS AND AVOID
STOCKPILING WHICH MIGHT FORCE IMPOSITION OF NEW CONTROLS.
OHIRA RESPONDED FAVORABLY AND AGREED THAT EXPERT LEVEL
DISCUSSIONS WITH MAF MINISTER SAKARAUCHI IN SEPTEMBER COULD
TAKE UP DETAILED ARRANGEMENTS. END SUMMARY.

1. FURNISH OHIRA, ACCOMPANYING MFA AND JAPANESE EMBASSY
STAFF, MET ON JULY 30 AT BLAIR HOUSE WITH SECRETARY BUTZ,
CIEP DIRECTOR FLANIGAN, UNDER SECRETARY CASEY AND OTHERS
DISCUSS PROBLEMS OF MARKETING 1973 CROP FARM PRODUCTS
IN ORDERLY MANNER WITHOUT CONTROLS. FLANIGAN OPENED OUR
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PRESENTATION WITH EXPLANATION THAT WE RECOGNIZED

SERIOUSNESS OF CONTROLS, ESPECIALLY FOR JAPAN, AND WE DESIRED JAPANESE COOPERATION TO ASSURE THAT FUTURE CONTROLS ARE NOT NEEDED. HE GAVE DETAILED ESTIMATES OF WHEAT, CORN, SOYBEAN AND FEEDGRAIN PROSPECTS FOR 1973. THESE SHOWED INCREASED PRODUCTION IN ALL FOUR AREAS SUFFICIENT TO MEET NORMAL DEMANDS FOR CONSUMPTION. HE SAID ONLY TWO EVENTS COULD FORCE US TO EXTEND CONTROLS. THESE WOULD BE EITHER SERIOUS SHORTFALLS IN PRODUCTION, WHICH WE DID NOT EXPECT SINCE GROWING SEASON WELL ALONG AND WHEAT ALREADY BEING HARVESTED, OR EXCESSIVE BUYING FOR STOCKPILES. ON LATER POINT WE HAD ASKED EC FOR ITS COOPERATION, HAD RECEIVED ASSURANCES FROM USSR THAT ITS PURCHASES FOR PRESENT WERE COMPLETE, AND WOULD SOON RAISE PROBLEM WITH CANADIANS. LARDINOIS OF EC HAD AGREED TO DO WHAT HE COULD TO ENCOURAGE PURCHASES NEEDED FOR CONSUMPTION AND AVOID UNNECESSARY STOCKPILING. FLANIGAN ASKED JAPANESE TO DO THE SAME.

2. OHIRA WELCOMED OPPORTUNITY TO COORDINATE WITH US ON CONSIDERING SUPPLY MARKETING SITUATION FOR AGRICULTURAL PRODUCTS. HE SAID HE AGREED FULLY WITH FLANIGAN'S PROPOSALS WHICH SHOULD BE DISCUSSED AT SEPTEMBER MEETING WITH MAF MINISTER SAKARAUCHI, AND JAPAN WOULD COOPERATE WITH EC AND US TO ENCOURAGE ORDERLY BUYING ABROAD AND DISCOURAGE STOCKPILING. HE SAID GOJ EXPECTED JAPANESE STOCKS OF SOYBEANS WOULD BE ZERO BY END OF OCTOBER AND WANTED TO KNOW HOW AND WHERE WE PLANNED MARKET 1973 CROP.

3. SECRETARY BUTZ RESPONDED THAT HIS CONCERN WAS TO END CONTROLS, EVEN THOUGH MEAT PRICES IN US WOULD HAVE TO RISE. BASIC DECISION HAD BEEN MADE TO RESTORE FREE MARKET. THIS WOULD SUCCEED, SINCE WE HAVE GOOD PRODUCTION PROSPECTS FOR THIS YEAR AND WE NEED ONLY GET THROUGH NEXT SIX WEEKS AS HARVEST COMES IN. HE ASSURED OHIRA THAT NEW SOYBEAN CROP WOULD BE IN US PORTS BY THIRD WEEK OF SEPTEMBER.

4. OHIRA RAISED QUESTION OF JAPANESE REQUEST FOR ADDITIONAL 100,000 TONS OF SOYBEANS. SECRETARY BUTZ SAID THIS MATTER IS UNDER CONSIDERATION AND THAT JAPAN WOULD CONFIDENTIAL

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RECEIVE FAIREST POSSIBLE TREATMENT.

5. UNDER SECRETARY CASEY RAISED PROPOSAL WE HAD SUBMITTED TO OECD FOR LONG TERM STUDY OF FOOD RESOURCES AND URGED JAPANESE TO CONSIDER CAREFULLY AND SUPPORT PRO-OHIRA UNDERSTOOD PROPOSAL AND WOULD CLOSELY CONSIDER OUR DETAILED PROPOSITION TO INSURE OECD CLOSELY CONSIDER OUR DETAILED PROPOSITION TO INSURE OECD

FOR JAPANESE VIEWS ON POSSIBLE MULTILATERAL MEETING OF MAJOR GRAIN PRODUCING AND CONSUMING COUNTRIES AT WHICH EXPERTS COULD DISCUSS LONG TERM PROSPECTS. OHIRA SAID HE HOPED THIS PROPOSAL COULD BE PLACED ON THE AGENDA FOR THE TALKS WITH SAKARAUCHI IN SEPTEMBER.

6. AMBASSADOR INGERSOLL SAID THAT ON BASIS HIS DETAILED DISCUSSIONS IN WASHINGTON HE FELT THERE WAS A GOOD UNDERSTANDING IN US OFFICIAL CIRCLES OF JAPAN'S SITUATION AND THAT JAPANESE NEEDS WOULD RECEIVE FULL AND FAIR CONSIDERATION.

7. VICE MINISTER TSURUMI CLARIFIED GOJ POSITION BY POINTING OUT THAT JAPANESE GOVERNMENT DOES NOT BUY SOYBEANS WHICH ARE HANDLED BY PRIVATE TRADERS. THEREFORE GOJ COULD NOT MAKE A SPECIFIC COMMITMENT NOT TO BUY FOR STOCK- PILING, BUT COULD TRY TO INDUCE TRADERS NOT TO BUY TOO HEAVILY. FLANIGAN SAID THAT LARDINOIS HAD MADE SAME POINT, WHICH WE UNDERSTOOD, BUT THAT HE HOPED GOJ COULD USE MORAL SUASION ON JAPANESE TRADERS FOR GOOD OF ALL. NORMAL STOCKS, WHICH JAPANESE SAID WOULD BE ABOUT TWO WEEKS SUPPLY OR ABOUT 150,000 TONS, COULD BE REBUILT IF PUR- CHASES NOT BUNCHED TOO CLOSELY. IT WAS AGREED TSURUMI COULD REAFFIRM FOR PRESS OUR INTENTION DROP SOYBEAN CONTROLS ON SEPTEMBER 1. ROGERS

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